



A Citizen's Guide to the Washington State Budget

January 2003, Revised



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INTRODUCTION

The 2003 Citizen's Guide to the Washington State Budget is offered as a resource for citizens, members of the Senate, their staff, and other interested persons, to provide a clear and simple overview of the state budget and state revenues. It describes the three basic state budgets and their interrelationships, the sources of revenue that support those budgets, how the money is spent, the timeline for budget decisions and information about state debt and the Initiative 601 spending limit.

The guide was developed as a response to requests received by the Senate Ways and Means Committee for a brief and easy-to-understand document that would explain the state budget to the general public. The Legislature produces a number of documents and reports that provide highly-detailed information regarding budget and revenue actions and the many programs and tax sources contained therein. This guide provides a pamphlet-style brief introduction to the state budget and taxes.

The 2003 Citizen's Guide to the Washington State Budget was prepared by staff of the Senate Ways and Means Committee (within Senate Committee Services) and the Legislative Evaluation and Accountability Program (LEAP) Committee. Questions regarding the guide or requests for additional copies should be addressed to:

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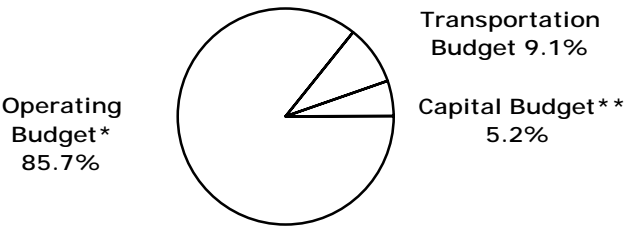
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Web site: www.leg.wa.gov/senate/scs/wm/default.html

How BIG IS THE STATE BUDGET?

In the 2001-03 biennium, the State of Washington will spend a total of \$50.2 billion. That’s about \$69 million per day (on average) during the two-year spending period. This \$50.2 billion includes amounts from three different budgets, which are plans of how the state will spend the money. The relative size of each of the three state budgets is shown in the following chart:



2001-03 State Budgets
(Dollars in Billions)

Operating Budget*	\$43.1
Transportation Budget	4.6
Capital Budget**	2.6
<hr/>	
Total 2001-03 State Budgets	\$50.2

* Includes appropriations in other legislation (approximately \$25.1 million)

** Excludes Capital Re-appropriations (approximately \$1.5 billion)

Sources: Winsum and Buildsum budget development systems.

■ The budget that pays for the day-to-day operation of state government (including federal funds and dedicated funds) is called the **Operating Budget (\$43.1 billion)**.

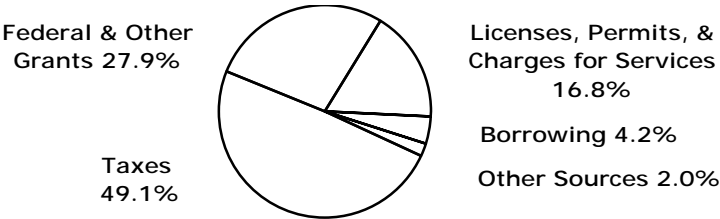
■ The budget that pays for transportation activities, such as designing and maintaining roads and mass transit, is called the **Transportation Budget (\$4.6 billion)**. This budget includes amounts for both transportation operating activities (\$1.8 billion) and transportation capital activities (\$2.8 billion).

■ The budget to acquire and maintain state buildings, public schools, higher education facilities, public lands, parks, and other assets is called the **Capital Budget (\$2.6 billion)**.

Budget-related materials frequently refer to the “state general fund” or General Fund-State (“GF-S”), which is the largest state fund; it represents more than half of the \$43.1 billion operating budget. A discussion of the GF-S budget begins on page 10.

WHERE DOES THIS MONEY COME FROM?

To pay for its activities in 2001-03, the state will tax citizens and businesses \$23.6 billion; receive federal and other grants of \$13.4 billion; collect fees, and assess charges for licenses and permits of \$8.1 billion; and borrow \$2 billion; other sources (including transfers) account for \$900 million. The relative size of each of these sources is shown in the following chart:



2001-03 Sources of Revenue
(Dollars in Billions)

Taxes	\$23.6
Federal & Other Grants	13.4
Licenses, Permits, & Charges for Services	8.1
Borrowing	2.0
Other Sources (including Transfers)	0.9
Total 2001-03 Sources of Revenue	\$48.0

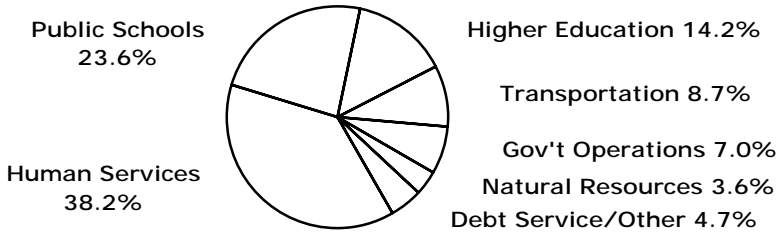
Source: OFM Revsum database for 2001-03 as of November 2002.

Most of the money the state uses to pay for services comes from state taxes. Washington’s major tax sources include the sales tax, the property tax, and a rather unique tax called the Business and Occupation (B&O) tax, which is a tax on gross receipts rather than on profit or income. Washington is one of seven states that do not levy a personal income tax.

When the State projects that expenditures will exceed revenues (as is currently the case), it must take action to address the imbalance. The actions it may take include: spending reserves; reducing expenditures; increasing revenues; borrowing money; or some combination of these four actions.

HOW ARE THESE FUNDS SPENT BY FUNCTION?

The following chart shows how the \$50.2 billion 2001-03 total funds budget is allocated:



2001-03 All Budgeted Expenditures*

(Dollars in Billions)

Human Services	\$19.2
Public Schools	11.9
Higher Education	7.1
Transportation	4.4
Governmental Operations	3.5
Natural Resources	1.8
Debt Service/Other	2.3
Total 2001-03 All Budgeted Expenditures*	\$50.2

* Excludes Capital Re-appropriations (approximately \$1.6 billion).

Sources: Winsum and Buildsum budget development systems.

Human Services, such as medical and public assistance, long-term care, other health care, and prisons, represents 38.2% of total budgeted expenditures. Most human services programs are partnerships between the state and the federal government, with the federal government providing about half of the money and the state providing the rest. The state provides human services to one out of every five citizens, including services to over half a million children residing in Washington.

Public Schools--state funding of kindergarten through twelfth grade (K-12) school districts--comprises the next largest category of total budgeted expenditures at 23.6%, although it represents the majority of the state general fund budget (see page 10).

Higher Education represents 14.2% of total budgeted spending. Higher Education includes support for state four-year schools and community and technical colleges.

Nearly \$5.7 billion was planned to be spent for **Transportation** services and construction in the 2001-03 biennium. These services and construction include highways, state ferries, and other transportation programs in the Washington State Department of Transportation (DOT); the Washington State Patrol (WSP); and the Department of Licensing (DOL), to name the three largest. Of the \$5.7 billion for the 2001-03 biennium, \$1.3 billion (over 23%) depended upon passage of Referendum 51 in the November 2002 election. Voters rejected the referendum which would have funded new highway construction, congestion relief, and other new transportation programs. The remaining \$4.4 billion budget covers the operation, maintenance, and preservation of existing systems and programs during the 2001-03 biennium. Of that \$4.4 billion, transportation operating activities account for \$1.6 billion (3.1% of statewide spending), and transportation capital activities account for approximately \$2.8 billion (5.6% of total spending).

Other major spending categories include **Natural Resources** (agencies for environmental protection, management, and recreation); **Governmental Operations** (administrative, judicial, and legislative agencies); and other expenditures, such as the payment of **Debt Service** (the interest and principle costs of facilities and services funded through general obligation bonds).

HOW ARE THESE FUNDS SPENT BY OBJECT?

Another way to look at state spending is to identify what the State purchases. For example, payments to contractors and vendors for services rendered, and to school districts for K-12 education; salaries and benefits for state employees; and payments for buildings and lands, among others. These classifications are called “objects” of expenditure.

The following chart shows large objects of expenditure for fiscal year 2002, the latest period for which complete object data are available:



Fiscal Year 2002 Expenditures by Object*

(Dollars in Billions)

Grants, Benefits & Client Services	\$14.0
Salaries and Benefits	\$5.7
Goods and Services	\$2.4
Capital Outlays	\$1.2
All Other	\$0.9
Fiscal Year 2002 Expenditures by Object*	\$24.3

* Includes Operating and Capital Budgeted Expenditures

Source: Monitor database from statewide accounting system.

Numbers do not add due to rounding.

As the chart shows, most state spending--nearly 58%--is for **Grants, Benefits and Client Services**. Spending on this object occurs mainly in three agencies: \$6.1 billion in the Department of Social and Health Services (DSHS), as payments to hospitals, nursing homes, other service providers, and as welfare and child care payments; \$5.6 billion in the Office of the Superintendent of Public Instruction, as apportionment and grants to K-12 school districts; and \$491 million in the Department of Community, Trade, and Economic Development as local government grants, energy assistance, and the Early Childhood Education and Assistance Program (ECEAP). Many other federal and state grant programs have smaller expenditures in Grants, Benefits and Client Services.

The \$5.7 billion **Salaries and Benefits** expenditure in FY 2002 provides compensation to the nearly 104,000 full-time equivalent (FTE) staff that the state directly employs. In addition to salaries and wages, this amount includes Health, Life, and Disability Insurance; Old Age and Survivors Insurance (OASI is sometimes referred to as “Social Security”); Retirement and Pensions; and other employee benefits.

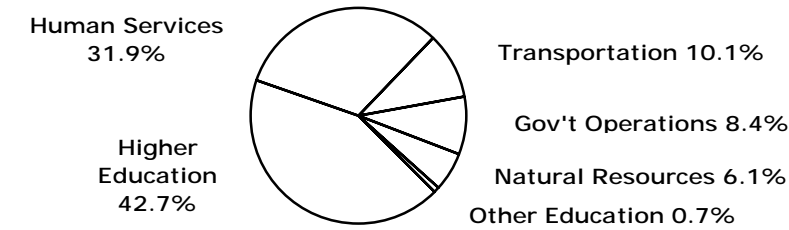
The \$2.4 billion **Goods and Services** expenditure in FY 2002 paid for things like supplies, medications at state-operated hospitals, food at colleges and universities, and equipment (valued at under \$5,000 per item), as well as services such as data processing, security, rentals and leases, communications, utilities, printing, insurance, training, and vehicle maintenance.

The \$1.2 billion **Capital Outlays** expenditure in FY 2002 paid for highway construction (\$406 million), buildings (\$289 million), and architectural and engineering services (\$168 million), among others. The Washington State Department of Transportation (DOT) accounted for more than half (53.4%) of these expenditures, while higher education--the four-year institutions and the community and technical colleges--accounted for more than one quarter (27.2%).

The **All Other** category of objects includes Debt Service, Personal Service Contracts, Travel, and Transfers.

HOW MANY STATE EMPLOYEES ARE THERE?

For budget purposes, the State counts its employees in terms of full-time equivalent (FTE) staff. One FTE equals 2,088 paid hours per fiscal year. Generally, one FTE is thought of as one full-time position, although an FTE may be composed of multiple part-time positions. As the following chart shows, as of fiscal year 2002, the State directly employs almost 104,000 FTE Staff.



FY 2002 All Budgeted FTE Staff

(Dollars in Billions)

Higher Education	44,382
Human Services	33,080
Transportation	10,531
Governmental Operations	8,761
Natural Resources	6,307
Other Education	757
Total	103,819

Source: Monitor database from statewide accounting system.
Numbers do not add due to rounding.

Of this amount, **Higher Education** represents the largest category of state employees. The University of Washington employs 19,615 FTEs and 14,525 FTEs work at the community and technical colleges, to name the two largest within Higher Education. The next largest area is **Human Services**. Some 18,100 FTEs work for the Department of Social and Health Services and more than 7,500 FTEs work for the Department of Corrections.

Three agencies in **Transportation** employ 99% of the staff in this area of state government: Washington State Department of Transportation (6,989 FTEs), Washington State Patrol (2,269), and the Department of Licensing (1,211).

Similarly, in **Natural Resources**, the largest employers are the Departments of Natural Resources (1,740 FTEs), Fish and Wildlife (1,723) and Ecology (1,436).

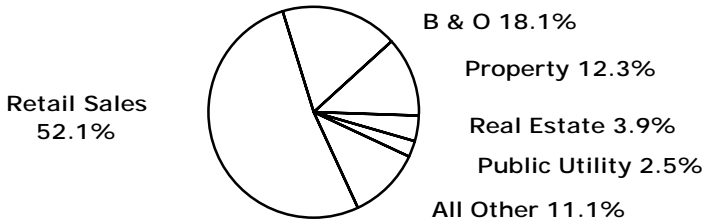
No agency in **Other Education** employs more than 150 FTEs.

Of the nearly 104,000 FTEs the State employs, the state general fund pays for 40%, Higher Education non-appropriated funds pay for 25%, federal funds pay for 10%, and numerous dedicated funds pay the remaining 25%.

The employees of K-12 local school districts are not included in the ranks of employees the State directly employs. However, the State pays for more than 70% of the compensation of the approximately 99,000 FTEs in the 296 school districts throughout the state via the Office of the Superintendent of Public Instruction.

WHAT IS THE STATE GENERAL FUND?

The state general fund is the largest single fund within the state budget. It is the principal state fund supporting the operation of state government. All major state tax revenues are deposited into this fund. The sources of tax revenue for the state general fund are shown in the following chart:



**2001-03 Sources of
State General Fund Revenue**
(Dollars in Billions)

Retail Sales	\$11.0
Business & Occupations (B & O)	3.8
Property*	2.6
Real Estate	0.8
Public Utility	0.5
All Other	2.4
Total	\$21.1

* Excludes transfers to the Student Achievement Account required by Initiative 728.
Source: Economic and Revenue Forecast, November 2002.

For the 2001-03 budget period, the state general fund will receive \$21.1 billion in revenues. More than half of that amount is from the state retail sales tax. The second largest tax is the Business and Occupation (B&O) tax, which accounts for almost one fifth of the total, and the third largest tax is the state property tax, which accounts for about 12% of the total.

The state sales tax, the B&O tax, and the state property tax account for more than 80% of all state general fund revenues. In addition, the general fund relies on real estate excise taxes, a public utility tax, insurance premium taxes, and a number of other smaller taxes.

Contrary to popular belief, the state lottery does not pay for a large share of K-12 education. Currently, the lottery brings in about \$190 million per biennium. Initiative 728 (enacted by the voters in November 2000) requires the transfer of these funds to the Student Achievement Account and the Education Construction Account. The total state budget for public schools is about \$12 billion for 2001-03. This means the state lottery only supports about 1.6% of the K-12 education budget.

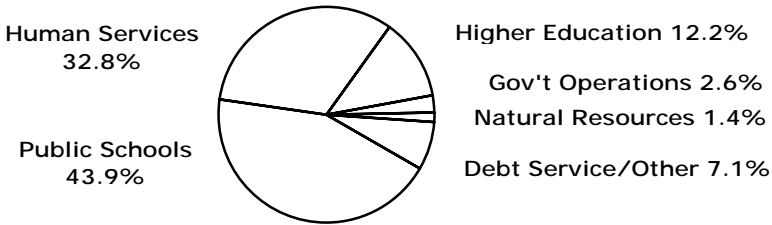
The major difference between the state general fund revenues (\$21.1 billion) and the total of all budgeted funds revenues (\$48 billion) is the dedication of revenue sources to specific uses. Most of the difference can be attributed to four types of funds:

- Federal funds for specific federal programs (\$11 billion)
- Higher Education-specific funds such as the Grants and Contracts Account, Higher Education Dedicated Local Accounts, the Tuition and Fees Account, and the University of Washington Hospital Account (\$4.5 billion)
- Bonds for capital purposes (\$2.0 billion)
- Gas taxes for transportation purposes (\$1.5 billion)

These four sources account for 71% of the difference between revenues available for all state government budgets and the state general fund budget.

HOW IS STATE GENERAL FUND MONEY SPENT?

Because of the nature of its tax sources, the state general fund receives the most attention during the budget-building process. During the 2001-03 biennium, the state will spend about \$22.5 billion (or about \$31 million per day on average) from the state general fund. The following chart shows how the state general fund budget is allocated:



2001-03 General Fund-State Expenditures
(Dollars in Billions)

Public Schools	\$9.9
Human Services	7.4
Higher Education	2.7
Governmental Operations	0.6
Natural Resources	0.3
Debt Service/Other	1.6
Total	\$22.5

Source: Winsum budget development system.

The largest single state general fund program is **Public Schools**, which includes state support for K-12 education. Public Schools accounts for 23.6% of all budgeted expenditures, but that share increases to 43.9% when examining only the state general fund. By the end of the 2001-03 biennium, the state will provide public education funding for 1,000,000 children.

Human Services state general fund spending consists primarily of the operating budget for the Department of Social and Health Services, the State's umbrella organization that provides medical, social, and income assistance to citizens in need. It also includes spending for the Department of Corrections and the Department of Health.

Higher Education spending includes funding for six public universities, thirty-four community colleges and technical schools, and financial aid to nearly 288,000 students attending both state supported

and private colleges each year. Expenditures for Higher Education represent 14.2% of **all** budgeted funds and 12.2% of the state general fund. In addition to money from the general fund, Higher Education receives \$4.5 billion of dedicated revenues, principally grants and contracts, and tuition and fees.

Other general fund spending categories include **Natural Resources**, **Governmental Operations**, and other expenditures such as the payment of **Debt Service**.

WHY DOES THE BUDGET GO UP YEAR AFTER YEAR?

The budget increases each year primarily because there are either more citizens to serve, those services cost more, and/or because citizens may request new or different services. Public education may be the easiest example of these trends.

■ Article IX, Section 1 of the Washington State Constitution declares “It is the paramount duty of the state to make ample provision for the education of all children residing within its borders ...” The cost of meeting this constitutional requirement takes nearly half of the state general fund budget. In 1990, there were about 800,000 children in Washington state K-12 public schools. By the end of 2001-03, the K-12 system will educate more than 1,000,000 children. The education of these additional children costs hundreds of millions of dollars. Over the same period, the population of the state as a whole is expected to increase over 1.2 million people, so there will be more taxpayers to shoulder these costs.

■ Teaching supplies, materials, equipment and energy all will cost more in 2003 than they did in 1990, so the overall cost of educating each student will be more. Similarly, the personal income of the taxpayers on average will be greater.

■ Finally, in 1993, the legislature passed new requirements for public education. Referred to as “education reform,” these requirements continue to change the cost of education for each child. This too will cause the budget to increase.

HOW IS THE BUDGET CREATED?

Through the budget process, the Legislature and the Governor decide how much money to raise and spend. State agencies, the Governor, the Legislature, citizens, and interest groups are all involved in this process. Washington State operates on a two-year (biennial) basis, beginning on July 1st of each odd-numbered year. For example, the current budget is for the period July 1, 2001 through June 30, 2003.

Agency Requests - In late summer and early fall of each even-numbered year, state agencies submit budget requests to the Office of Financial Management (OFM). The Governor reviews the requests and makes the final decisions for his or her budget proposal.

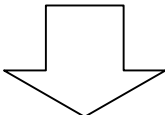
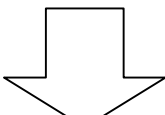
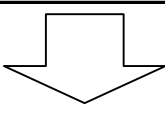
The Governor's Budget - By law, the Governor, as the State's chief executive officer, must propose a biennial budget in December of even-numbered years, the month before the Legislature convenes in regular session. The Governor's budget is his or her proposed spending and taxation plan for the biennium.

The Legislative Budget Process - After receiving the Governor's budget proposal, the Legislature reviews it and formulates its own budget during the legislative session which begins in January. The chairs of the Senate Ways and Means and House Appropriations Committees work with their respective members and staffs to analyze the Governor's budget and develop recommendations and alternative proposals. The transportation portions of the budget are developed by separate committees in the House and Senate. By tradition, the initiation of the budget alternates between chambers each biennium.

After each chamber has passed its version of the budget, the differences between the two must be reconciled in the budget conference process. Generally, six fiscal leaders from both chambers and both political parties meet as a committee to prepare one legislative budget that is submitted to the full legislature for final passage and then ultimately delivered to the Governor for his or her signature.

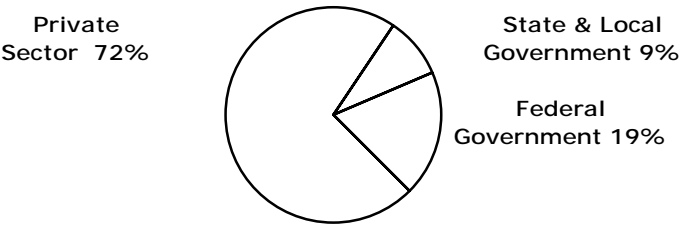
The Governor may veto all or part of the budget, thereby eliminating funding for certain activities; however, the Governor cannot add money for an activity for which the Legislature provided no funding. Only after the Legislature passes a budget and the Governor signs it has the state created a real budget.

Supplemental Budgets - In even-numbered years, the Legislature will consider changes to the biennial budget in what is called a Supplemental Budget. Generally, such changes represent mid-course corrections to the two-year spending plan to account for changes in school enrollments, prison populations, public assistance caseloads, or significant changes in the economy of the state.

Timeline of Budget Decisions (2003-05 Biennium)		
Formulation of the Governor's Budget	State agencies prepare budget requests and submit them to the Office of Financial Management  The Governor reviews the requests and makes decisions about what goes in the Governor's proposed budget.	July 2002 - December 2002
Legislative Action on the Budget	 The Legislature reviews the Governor's proposed budget, develops its own budgets, and approves revenue bills. The budget is signed or vetoed by the Governor.	January 2003 - April 2003
<i>The Biennium Begins</i>		
 Agencies execute the enacted budget.		July 1, 2003 - June 30, 2005
Supplemental Budgets	The 2003-05 biennial budget may be adjusted in the 2004 and 2005 legislative sessions.	January 2004 - March 2004 January 2005 - April 2005

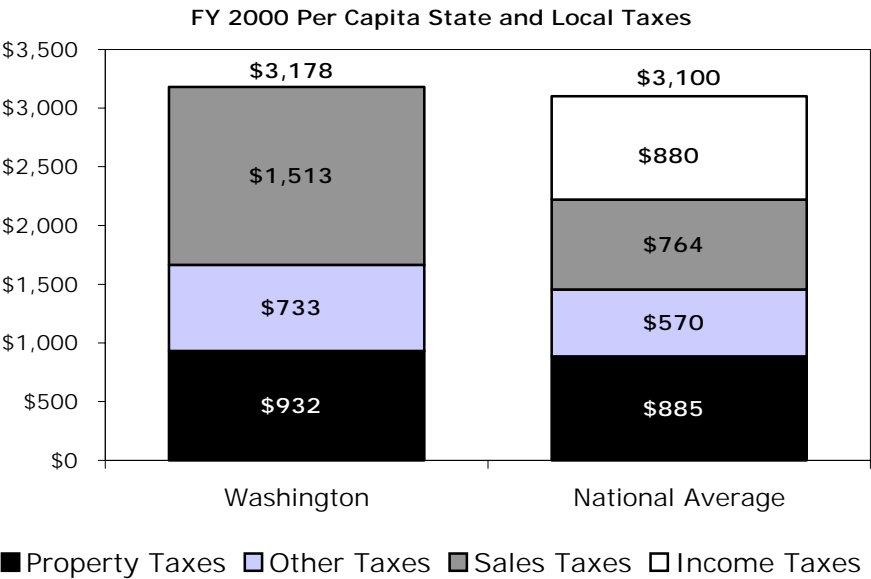
How Significant Is Government In The Economy?

State governments, the federal government, and local governments represent about 28% of all the economic activity in the country, with the federal government financing more than two thirds of the public amount.



Source: *A Citizen's Guide to the Federal Budget, Fiscal Year 2001*, <http://w3.access.gpo.gov/usbudget/fy2001/guide01.html>

Analysis of state and local taxes per capita is frequently used to compare tax burdens among the states. As the following chart shows, for FY 2000 (the most recent year for which all data are available), the number for state and local taxes per capita for Washington State is \$3,178, which is 2.5% higher than the national average of \$3,100.



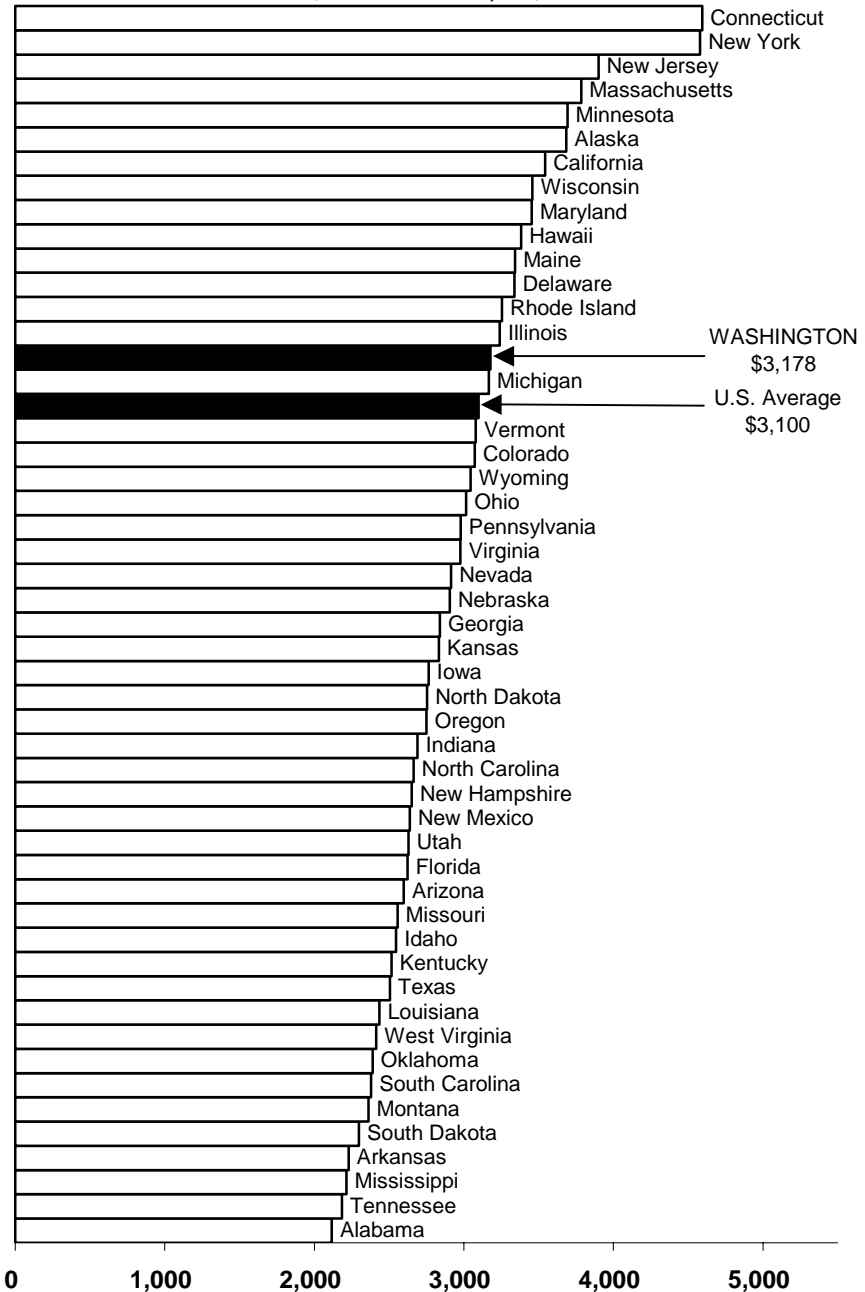
The chart on page 17 shows that the components of the tax structure of Washington State differ noticeably from national averages. Washington is one of only seven states that does not impose a personal or corporate income tax; at the same time, Washington has relatively high sales taxes and other taxes. According to the Washington State Department of Revenue, in FY 2000, Washington ranked 16th in the nation with property taxes per capita of \$932 (the national average was \$885).

By combining state and local taxes into a single figure, it is possible to account for differences among states' budgets and display state tax burdens comparably. For example, in Washington, a large share of K-12 education support comes from the state; in many states, support for K-12 comes from local governments.

The chart on page 19 shows the total state and local taxes per capita for Washington compared to the other 49 states and to the U.S. average. This chart shows that Washington ranks 15th in state and local taxes per capita and that 34 states rank below the U.S. average of \$3,100.

By comparing taxes to personal income, it should be possible to take into account differences in wealth among states when comparing tax burdens. However in recent years, the incredible increase in Washington State personal income, due in large part to the explosion of stock options during the late 1990s and 2000, distorted this measure and made it less useful as a yardstick of the overall tax burden.

FY 2000 State and Local Taxes (Dollars Per Capita)



Source: Washington State Department of Revenue

WHY DOES THE STATE BORROW MONEY?

The capital budget and some transportation budget activities are paid for in large part by borrowing money. The state borrows money rather than paying cash through taxes for two reasons:

- Many of the assets the state acquires are very expensive. For example, construction of facilities at the University of Washington-Bothell Campus/Cascadia Community College cost in excess of \$40 million.
- Washington's citizens will receive the benefits of these assets for many years to come. If the state paid for the assets in the year they are acquired, current taxpayers would shoulder all of the burden for future taxpayers. Instead, the payment for the asset is spread over time to share the burden of paying among current and future taxpayers.

According to information on the web site of the Office of the State Treasurer, currently, the state has \$8.2 billion in outstanding debt. As the following chart shows, although debt is increasing on a per-person basis, it has remained fairly constant as a percentage of the total personal income of all of the state's citizens.

Debt Ratios		
Fiscal Year	State Debt per Person	State Debt as a Percentage of Total Personal Income
1991	\$793.50	0.44%
1992	917.03	0.44%
1993	966.90	0.45%
1994	1,033.24	0.46%
1995	1,050.88	0.46%
1996	1,085.38	0.45%
1997	1,149.61	0.44%
1998	1,129.95	0.43%
1999	1,183.83	0.42%
2000	1,247.83	0.43%
2001 Estimate	1,286.49	0.44%
2002 Estimate	1,354.43	0.44%

Source: Web site of the Office of the State Treasurer, www.wa.gov/tre/out_debt.pdf.

HOW DOES THE 601 SPENDING LIMIT WORK?

In November 1993, the citizens of the state passed an initiative to limit the growth in state government spending and taxation. Initiative 601 put a “cap” on activities funded with general state revenues based on the amount of government spending in 1990, adjusted for population growth and inflation. When general fund tax revenues grew faster than the 601 spending limit, the extra tax revenue could be used to reduce taxes or be put into the “emergency reserve fund” that could only be used if two-thirds of the legislature agrees to use it.

During the 2000 legislative session, EHB 3169 modified the Initiative 601 spending limit. Among other things, the measure (1) created a state expenditure limit committee which would be charged with establishing the spending limit for each year; (2) reduced from five percent of biennial revenues to five percent of annual revenues the so-called “trigger” which determines when money will spill over out of the emergency reserve fund and into the education construction account; (3) clarified an interpretation which permitted the diversion of general fund revenues to local government without lowering the spending limit; and (4) allowed the 601 spending limit to be increased when state programs or revenues were shifted into the general fund.

This final change is often referred to as the “two-way street” provision and was used in the 2001-03 biennial budget to increase the 601 spending limit by more than \$500 million beyond what the growth factor and what other technical adjustments to the spending limit would have provided.

In the 2002 legislative session, the requirement for a two-thirds vote on tax increases and spending from the Emergency Reserve Account was suspended until June 30, 2003.

Due to the economic recession, exacerbated by the terrorist attacks of September 11th, total state general fund resources in December 2002 are \$700 million **less** than the current 601 limit. (“Total state general fund” resources are the combination of forecasted revenue plus the fund balance from the previous biennium.) Lower state general fund resources will restrict spending well below the 601 limit unless the legislature significantly increases taxes or other revenues and fees deposited into the general fund.

GLOSSARY OF COMMONLY USED BUDGET TERMS

Appropriation - A legislative authorization for an agency or other governmental unit to make expenditures and incur obligations: (1) for specific purposes, (2) from designated funding sources, and (3) during a specified time period.

Biennium - The 24-month period from July 1st of odd-numbered years to June 30th of odd-numbered years, such as the 2003-05 biennium, which runs from July 1, 2003 to June 30, 2005.

Capital Budget - The budget that pays for the construction and renovation of state facilities, including public schools, prisons, state hospitals, higher education institutions, parks, etc., is referred to as the capital budget. Revenues to support capital spending come primarily from bonds and dedicated cash accounts.

Debt Service - The interest and principle costs of facilities and services funded through general obligation bonds.

Dedicated Funds - The product of reserving certain tax revenues for a specific purpose or purposes. Generally, any fund other than the general fund or a federal fund is referred to as a dedicated fund. There are literally hundreds of dedicated funds in the state treasury. Two of the largest are the Motor Vehicle Account, which receives gas tax revenues and is restricted to roads and highways, and the State Lottery Account, which accounts for revenues from ticket sales and is reserved for the cost of lottery operations and prizes.

Federal Funds - Monies provided by the federal government to support state programs. Major operating budget federal programs include Medicaid and the Social Services Block Grant.

Fiscal Year (FY) - The 12-month period from July 1st to June 30th, expressed in terms of the first six months of the next calendar year. For example, the FY 2003 fiscal year runs from July 1, 2002 until June 30, 2003.

FTE Staff - Full time equivalent (FTE) staff is a way to measure the size of the state's workforce. One FTE is equivalent to 2,088 hours worked per year, which represents one full-time employee. Total FTE staff does not necessarily represent the total number of state employees because some staff work part-time and are thus classified as a percentage of one FTE.

Governmental Operations - A functional area of state spending which comprises a large number of central service agencies, such as the departments of General Administration, Personnel, Financial Management, Revenue, etc., as well as the legislative and judicial branches of government.

Higher Education - A functional area of state spending that includes the cost of secondary education and workforce training provided through the State's 34 community and technical colleges, four regional universities, and two research universities.

Human Services - A functional area of state spending which comprises human services agencies such as the Department of Social and Health Services, the Department of Corrections, and the Department of Health.

Natural Resources - A functional area of state spending that includes the State's natural resource agencies such as the departments of Ecology, Fish and Wildlife, Natural Resources, and the State Parks and Recreation Commission.

Object - A state accounting classification used to categorize expenditures. Objects of expenditure in the state operating and capital budgets include: Salaries and Wages; Employ Benefits; Personal Service Contracts; Goods and Services; Travel; Capital Outlays; Grants, Benefits, and Client Services; Debt Service; and various transfer objects.

Operating Budget - The budget which pays for most of the day-to-day operations of state government and constitutes the majority of all state spending is referred to as the operating budget. Revenue to support this budget comes from a variety of taxes and fees that are deposited into more than 200 separate funds and accounts, the largest of which is the state general fund.

Other Education - A functional area of state spending that includes the cost of providing specialized education services at the Schools for the Deaf and the Blind, arts and cultural services provided through the Arts Commission and the two state Historical Societies, and cost of the State Work Force Training, and Education Coordinating Board.

Public Schools - A functional area of state spending that includes the cost of educating the state's children from grades kindergarten through high school. It also includes the funding for other activities of the public school system. The Superintendent of Public Instruction allocates these funds to 296 school districts, nine educational service districts and other contractors who provide education services.

State General Fund - Often referred to as General Fund-State (GF-S), this fund serves as the principal state fund supporting the operation of state government. All major state tax revenues (sales, business and occupation, property tax, and others) are deposited into this fund.

Transportation Budget - The budget which pays for both the day-to-day operation of state transportation agencies and the construction and preservation of state highways and roads, is called the transportation budget. Most of the revenue that supports the transportation budget comes from the state gas tax.